

Department of General Administration  
Division of Facilities Planning and Management

Program 160 – Office Facilities Management

*2005-07 Business Plan*

## EXECUTIVE SUMMARY

### **2005-07 Program Description**

The Office Facilities Management's mission is to effectively house state government in over 3,700,000 square feet of office and support facilities owned and operated by GA in six counties. Approximately 75 percent of the facilities are located in Thurston County with the remaining 25 percent located in Pierce, Cowlitz, Skagit, King and Yakima counties. The majority of the space is for office use. The remaining space is storage, computer centers, warehousing and some program spaces such as training, education or treatment and housing for human service programs. Parking lots and garages not located on the State Capitol Campus are also included in the Office Facility inventory. The facilities are a mixture of large to small buildings ranging from modern facilities to offices within historic buildings.

The business objective is to maintain consistent quality and stewardship standards, and to provide safe, efficient and cost effective facilities that allow state agencies to perform their essential program services. In addition, DFPM, in concert with GA's Division of State Services' (DSS) Real Estate Services Group, plan for and manage the statewide portfolio of leased and GA owned office facilities to more effectively house state agencies.

The Division of Facilities Planning and Management (DFPM) is responsible for the overall management of the physical and financial performance of this business. The division activities include facility planning and policy, asset management and capital program management. This division was created in August 2003 by realigning resources from two other divisions.

In partnership with DFPM, the Divisions of Capitol Facilities (DCF) and State Services (DSS) are responsible for maintenance and operations activities. They deliver day-to-day services to the building tenants and operate the facilities. Facilities within Thurston County are operated by DCF and facilities in the remaining five counties are operated by DSS.

Office Facilities has a biennial budget of \$70 million and funds 191 FTEs at the GA-owned office facilities statewide that supports operations and maintenance, capital projects and long term debt.

### **Retrospective**

Until the recent reorganization, there has not been a centralized management approach for all business aspects of the GA owned office facilities. In the past, the business management focus has been limited or lacking in some areas. The primary goal of the reorganization was to put more effective business discipline to the management of GA owned facilities. The business's negative cash position was a significant indicator of the need for change. The 2005-07 beginning cash balance in Fund 422 is projected to be negative \$5.5 million.

The negative balance is primarily due to the financial position of the Tacoma Rhodes facility, which is projected to be at negative \$7.7 million. The Tacoma Rhodes financial position offset by the positive \$2.3 million in the other assets, nets a projected \$5.5 million negative cash position for the overall business.

Historically, rent revenues have been significantly below market rates and are not sufficient to maintain and preserve office facilities. Approximately 30 percent of the GA owned office inventory is in need of major rehabilitation. Some rehabilitation's have been deferred for as long as 20 years. Capitol Campus rents were estimated to be 35 percent below market rate. Rents are not sufficient to adequately fund service levels and stewardship requirements for maintenance and operations, capital renewal and improvements and debt, resulting in:

- Deteriorated facility quality and service levels
- Reduced customer satisfaction
- Increased vacancies
- A \$5.5 million cash deficit

GA offices are not competitive with privately owned facilities, both in physical condition and service levels. Many facilities do not meet GA's quality and the performance standards required of landlords of privately owned state offices. Facility quality and inadequate service levels are a key reasons for tenants leaving GA owned facilities or low customer satisfaction ratings.

Historically GA owned office facilities have not effectively competed for limited GO Bond funding, which is a key factor in the deferral of major rehabilitations.

An additional burden on the business is the subsidization of Parking Business and Public & Historic program by office rents. As a result of DFPM's new Asset Management function, at the beginning of the 2003-05 biennium, GA for the first time started collecting cost data for Office, Parking and Public and Historic facilities under separate accounts to better document the actual costs to maintain and operate each business or program area. This new data has shown that 13 percent of the rent revenues subsidize the Parking Facilities business and the Public and Historic Facilities program. Approximately \$3.7 million of the \$29.6 million of the Capitol Campus rents collected for maintenance and operations in the 2003-05 biennium is being used to maintain these other facilities. Given this new information, the current costs of GA offices is actually 39 percent below market. GA's Best Value goal is for our rents to be 15 percent below market.

Related to long-range space planning, there has been limited coordination and management of the state's inventory of state owned and leased office space due to the lack of planning staff. There is a need and opportunity to better manage the state's portfolio of office space. More proactive management of state office space will result in cost benefits to state government, better support to state agencies, and improved service to the public and better coordination with local government land use plans.

### **Prospective**

GA's facilities management collective leadership and expertise in facilities management and real estate services will enable us to deliver high value offices to state government and to move the office facilities business to success. The following initiatives will enable GA to fulfill this responsibility:

1. Fully implement the strategy and vision of the Agencies reorganization, clearly identifying the Roles and Responsibilities of the Divisions responsible for the Management and Care of the facilities.
2. Improve business management—establish business practices that ensure a positive financial position. Understand the cost of doing business, more effectively project business

requirements and establish effective financial performance measures. Beginning FY 05 and continuing throughout the plan period.

3. Improve the quality of facilities and service levels—establish quality and service level standards that are competitive with market, protect the state’s investment in the asset and meet the tenants’ needs. Begin in 2005-07 and achieve standard by 2014.
4. Transition to a true fee-for-service rent—establish rent rates that provide high value facilities that are competitive to the private market. Rent rates will cover the required levels of services, including maintenance and operations, utilities, capital renewal and improvements and debt. Maintain and update the Best Value goal for GA rents, current goal 15 percent less than the private market rate. Begin in 2005-07 and re-evaluate throughout the plan period.
5. Reduce subsidization of other GA facilities with rent revenues—shift current Parking and P&HF costs from the Office Business by reducing rent and increasing parking and SOG fees. Ensure office revenues only pay for office facility costs. Customers will get what they pay for and pay for what they get. Begin in 2005-07 and re-evaluate throughout the plan period.
6. Implement the exiting strategy for the Tacoma Rhodes facility and a plan to repay any remaining negative cash balance due to Fund 422.
7. Alternative financing for capital projects—seek policy support by the Governor and Legislature for alternative financing for major rehabilitations of GA owned office buildings. Demonstrate an effective business approach to cash and debt management. Continue during the development of the Governor’s 2005-15, 10 year Capital Plan and the 2005 Legislative session.

In response to the Governor’s Priorities for Government, Result 11 to strengthen government's ability to achieve its results efficiently and effectively, GA will strengthen its planning services to improve the management of the state’s portfolio of leased and owned office space, subject to funding of additional staff resources. This initiative will:

1. Evaluate current leases and GA owned facilities to determine if they provide optimal benefit to the State. Determine if there are opportunities for improved housing solutions that co-locate or consolidate offices; improve public service, facility quality or access to technology, reduce costs or are more responsive to local community needs. Begin in 2005-07 and re-evaluate throughout the plan period.
2. Develop a comprehensive space master plan for the leased and GA owned facilities. Begin in 2005-07 and re-evaluate throughout the plan period.
3. Communicate with State agencies and local government to result in better coordination. Begin in 2005-07 and re-evaluate throughout the plan period.
4. Implement the plan through future lease transactions, space assignments, rehabilitation and development of new state owned facilities. Begin in 2007-09 and re-evaluate throughout the plan period.

NOTE: This initiative will first focus on Thurston County in the 2005-07 biennium, and will then be extended Statewide. In the future, this process can include office facilities owned by other State agencies.

### Goals, Strategies, Objectives and Performance Measures

Sect II	05-07	07-09	09-11
<b>Goal:</b>	<b>Deliver high value and competitive office facilities</b>		
Strategies:	Continue OB-2 & DOT Bldg rehabilitations Update facility service standards	Complete OB2 & Pritchard Bldg rehabilitations Continue DOT Bldg rehab	Complete GA Bldg rehabilitation Continue DOT Bldg rehab
	Train staff in core competencies		
Objective:	Meet best value target that rent will be 85% or less than private market Increase tenants commitment to GA owned facilities. .Improve Customers experience with GA facility services.		
Performance Measures:	# of major building rehabilitations completed % GA rent rates to private market % of facility standards consistently met number of core competencies met % of tenant who rate the value of GA offices as consistently high		

Sect II	05-07	07-09	09-11
<b>Goal:</b>	<b>Be responsible stewards</b>		
Strategies:	Adopt GA's Lease Space Standards for GA owned offices. Define required maintenance and renewal requirements and service levels. Update 20% of office facility condition assessments.	Complete 25% of deferred maintenance and renewal. Update 50% of office facility condition assessments	Complete 50% of deferred maintenance and renewal. Update 85% of office facility condition assessments
	Improve custodial service levels Improve preventative maintenance		
Objective:	Raise the quality and performance of GA offices Protect the investment in assets		
Performance Measures:	% of deferred maintenance and renewal completed. % of scheduled maintenance and renewal completed % of condition assessments updated		

**Goals, Strategies, Objectives and Performance Measures (continued)**

Sect II	05-07	07-09	09-11
Goal:	Improve the physical and financial performance of Office Facilities		
Strategies:	Dispose of Tacoma Rhodes Maintain asset level business plans. Define the required cost of doing business. Eliminate subsidization of Parking & P&HF costs by office rent. Transfer ongoing costs from capital to operating budget. Develop business support systems to record and monitor business & financial performance.	Enhance business support systems. Move to negotiated leases at the State Capitol. Implement consistent business practices at all GA owned offices.	
Objective:	Conform to OFM and legislative policy on appropriate capital and operating funding. Improve business management and financial performance. Secure Legislative policy on funding strategy of Office facilities Secure Legislative approval for alternative financing for major rehabilitations	Continue to improve business management and financial performance and practices.	
Performance Measures:	% of costs covered by program revenue. % of projects funded by rent % of vacant or under utilized space % of facilities with positive working capital balance % of facilities meeting financial performance ratios/standards		

<b>Sect II</b>	<b>05-07</b>	<b>07-09</b>	<b>09-11</b>
<b>Goal:</b>	<b>Protect the environment and conserve limited resources.</b>		
Strategies:	Implement 'green' building practices and a LEED silver goal for major rehabilitations of Office Facilities		
Objective:	Long-term protection and enhancement of our environment, our economy and the health of current and future generations.		
Performance Measures:	% of major rehabilitations meeting LEED silver requirements		